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CIA casts shadows in fraud case

By Jack Norman
of The Journal Staff

Richard and Susan Loppnow, of Germantown, invested their children's college trust fund, \$53,000, in the company. It's gone.

They invested Susan's inheritance, \$28,000. It, too, is gone.

Most of the company's assets have vanished. Its 400 investors — about 20 from Wisconsin — may have lost more than \$20 million. The chairman of the board, a native of Milwaukee's South Side, is facing trial in March on a 58-page, 100-count federal indictment for mail fraud, securities fraud, tax evasion and perjury.

And yet, Richard Loppnow, 43, is still spending money to defend Ronald Rewald, 42, the ex-Milwaukeean the government says fleeced Loppnow and his wife.

Why?

Because the company they invested in was no ordinary business. The Loppnows believed — and still do — that they were investing in a company organized and directed by the US Central Intelligence Agency.

And the astonishing part of the story is that there is evidence to support much of what they believe.

The firm was Bishop, Baldwin, Rewald, Dillingham & Wong, a Honolulu investment brokerage company run by Rewald. Rewald traveled in some of Honolulu's highest social and business circles until a TV newscast on July 29, 1983, reported irregularities at the firm.

He was found the next morning in a bloody bathtub at the Sheraton-Waikiki Hotel, his wrists slit



Ronald Rewald

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in what has been reported as a suicide attempt.

Few who knew Ronald Rewald in the 35 years he lived in and around Milwaukee could have guessed that he would become the central figure in an international drama of intrigue and finance.

His parents owned a bakery at S. 19th and W. Mitchell Sts. A graduate of South Division High School, he was interfraternity council president at Milwaukee Institute of Technology (forerunner of Milwaukee Area Technical College). He had tryouts as a running back with several National Football League teams, was a gregarious but soft-spoken family man, an entrepreneur.

Works for movie firm

Now free on bail, he lives in Los Angeles with his wife and five children, working for a movie production company and preparing for his court appearances.

The main lines of his defense were set out in a once-secret but quickly publicized affidavit written in the weeks after the firm's collapse — that he was following the orders of the CIA.

Is this defense plausible?

Consider these facts:

The CIA has confirmed that it paid at least \$2,700 to use the firm's telephones, Telex machines and worldwide mailing addresses.

CIA attorneys convinced judges to seal several hundred company records for reasons of national security.

His attorneys have been denied access to many documents.

The chief of the Honolulu CIA station, Jack Kindschi, also a Wisconsin native, left his job to go on Rewald's payroll.

Kindschi's successor, Jack Rardin, let Rewald believe that the CIA got the Internal Revenue Service to call off a 1982 investigation of Bishop, Baldwin, according to the transcript of a taped conversation between the two.

The government's main prosecutor, John Peyton, is a former CIA lawyer.

And Rewald has been silenced by two federal gag orders, the most recent a 15-page one issued by a federal judge Dec. 11.

Within days of his alleged suicide attempt, Rewald was arrested on theft charges. His brother-in-law, Richard Loppnow — Susan is Rewald's sister — was successful in getting Rewald's bail reduced from \$10 million to \$140,000, then bailed him out.

Loppnow says he has invested far more than the missing \$81,000: for bail, \$22,000 in cash and the deed to Susan's lake cottage in Hubertus; for legal fees, \$17,000; for long-distance calls, \$14,000.

The Loppnow phone is disconnected; they can't pay the \$3,900 still owed. His trucking agency has been sold. Their Germantown house on three wooded acres is in foreclosure. They are about to enter personal bankruptcy.

All in support of a man that Money Magazine called a small-time cheat.

Why?

Answered Loppnow: "I've spent the last year and a half using every resource I have, and of relatives, to see justice done and the truth out — that Bishop, Baldwin is a CIA proprietary."

What was Rewald?

Is Ronald Rewald CIA? Con man? Both?

Con man, answered David J. Baldwin, Milwaukee lawyer and owner of the Safe House, a downtown nightclub with an espionage motif.

Baldwin said he joined the Bishop, Baldwin payroll — he is not the Baldwin in the corporate name of the firm — after Rewald invited him in 1982 to go to Honolulu to open a Hawaiian Safe House, a project still not completed. He soon turned Rewald on to another project involving a businessman from India that Baldwin had known at the University of Wisconsin — Madison in the 1950s.

The Indian connection illustrates the conflicting interpretations of Rewald's affairs. According to Rewald's affidavit, the Indian effort had two goals: to arrange secret arms sales to India, and to create a financial vehicle so wealthy Indian Sikhs could secretly get money out of the country.

Baldwin denies that. Arms deals? India needed helicopters and C-130 transports for oil-field development, Baldwin said. Money laundering? Indians living abroad needed a way to invest in India but still take their profits out in dollars, not rupees, Baldwin said.

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Ready with a defense

"Rewald was a very kind person," Baldwin said, "self-effacing, humble, with beautiful blue eyes. In conversation he'd make you feel like you were the important person."

But now, Baldwin said, Rewald is slinging as much mud as he can to minimize his own guilt. All along, Rewald was setting people up in order to use the CIA defense in case he ever needed it, Baldwin charged.

For example, there is the matter of the CIA secrecy pledge that Baldwin signed Nov. 22, 1982. Baldwin said Rewald asked him to sign it just before a trip to India.

Now he thinks it was a ploy, part of Rewald's scam, a way of impressing him with a hush-hush atmosphere, laying the groundwork for a CIA defense.

"He had all the trappings," Baldwin remembered: a villa, a dozen luxury automobiles, a polo club, bodyguards, the friendship of important people, including the governor and lieutenant governor of Hawaii, US generals and wealthy US and Asian businessmen.

"I think he had himself convinced," Baldwin said.

Did CIA get conned?

What about the CIA admissions?

"I think they got conned along with the rest of us," he answered.

Baldwin said he came out ahead financially in his dealings with Rewald, losing about \$10,000 in investments but picking up salary and consultant's fees.

One item not in dispute is that Rewald at times pretended to be something he wasn't. The Marquette University diploma on his office wall, for example, was a phony.

In 1976 he pleaded guilty in Wausau to a criminal misdemeanor charge for selling a franchise in a sporting goods store without registering the offering with the state.

After his guilty plea, after the collapse of his business, Milwaukee's College Athletic, and after a personal bankruptcy, Rewald and his family left Milwaukee in 1977 for Honolulu and a new sporting goods venture.

But he paid little attention to the sporting goods company and soon organized Bishop, Baldwin. How did he so quickly leverage himself into social prominence in Honolulu?

The answer given in Rewald's affidavit is that he was bankrolled by the CIA.

How did he get started with the CIA in Hawaii?

Rewald maintains that he first worked for the CIA in 1963, when he earned \$9,000 for spying on anti-war activists in Madison. Relatives and longtime friends back him up, saying that as early as 1975 he told them he once worked for the CIA.

His supposed CIA mission in Hawaii was threefold: to set up branch of-

fices around the world for CIA covers; to make business deals with certain very rich foreigners who wanted a secret dollar stash for their wealth; and to cultivate friendships with influential foreigners who could later be used by the CIA.

His ostentatious lifestyle, Rewald maintained, was supported so he could mingle with these wealthy individuals.

The indictment alleges that Rewald financed his luxuries from investors' money.

Where did the money go?

The indictment alleges that Bishop, Baldwin was in effect a Ponzi scheme, a swindle in which money from later investors is used to pay off earlier investors, with enough left over for profit for the swindler.

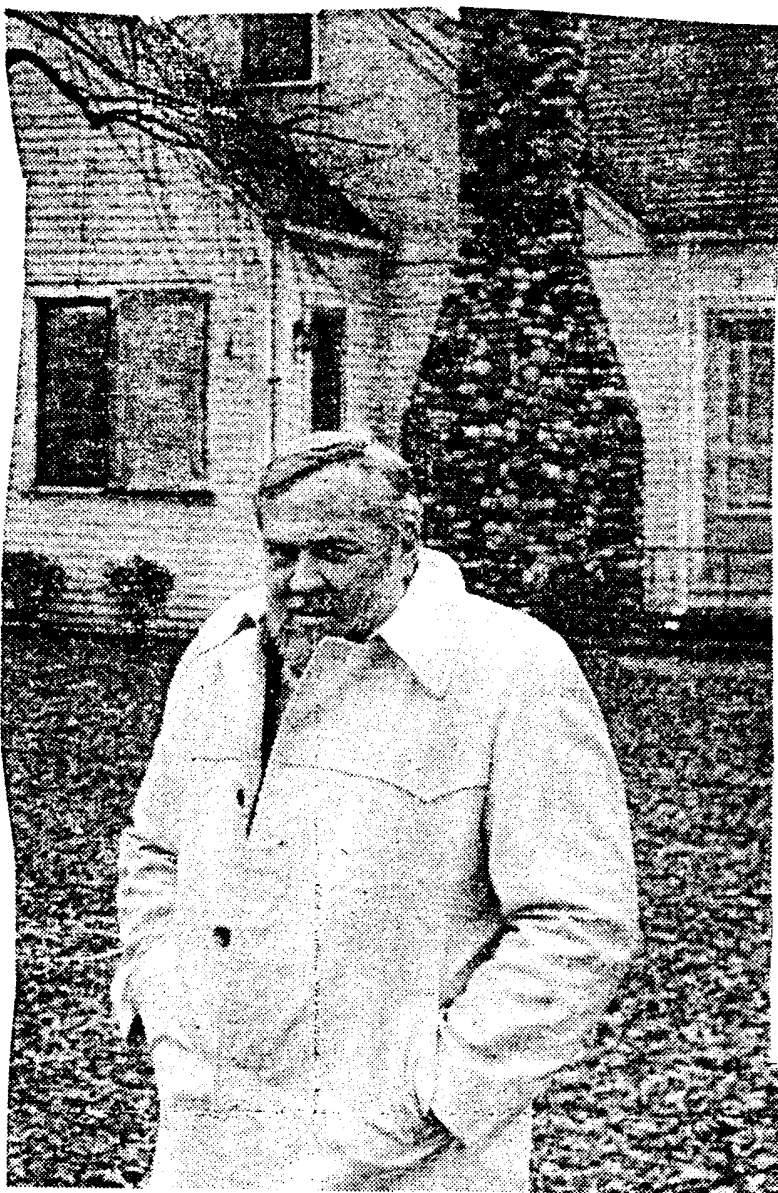
A mistake, he said

It unquestionably looks like a Ponzi scheme.

What Rewald maintains, however, according to sources close to him, is that it wasn't meant to turn out that way.

The loss for investors was a mistake, Rewald believes, brought about because once the firm's CIA cover was blown, it became impossible to get money out of the firm's investments without endangering influential foreigners involved in those deals.

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—Journal Photo by Tom Lynn

Richard Loppnov lost \$81,000 in Rewald's company

Even though much remains unknown, there are some unsettling conclusions that can be drawn about CIA activities.

If Rewald was a CIA front, then the agency has responsibility for the lost investments.

If Rewald was a con man on his own, then the agency knew about it and allowed it to continue.

The CIA must have known about it because it is inconceivable that the nation's leading intelligence bureau could have had the close contact that it did with Rewald without knowing what he was up to.

The CIA did not respond to The Journal's request for comment.